

OVERSIGHT BOARD  
SUCCESSOR AGENCY  
TO THE WEST HOLLYWOOD  
COMMUNITY DEVELOPMENT COMMISSION

FEBRUARY 20, 2014

SUBJECT: RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD FROM JULY 1, 2014 THROUGH DECEMBER 31, 2014 AND A SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD FROM JULY 1, 2014 THROUGH JUNE 30, 2015, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177

INITIATED BY: SUCCESSOR AGENCY

(David A. Wilson, Director of Finance & Technology Services)

(John Leonard, Senior Management Analyst)

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STATEMENT ON THE SUBJECT:

The Oversight Board will consider approval of the Recognized Obligation Payment Schedule for the period from July 1, 2014 through December 31, 2014 and a Successor Agency Administrative Budget for the period from July 1, 2014 through June 30, 2015.

RECOMMENDATION:

Adopt Resolution No. \_\_\_\_\_ "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD FROM JULY 1, 2014 THROUGH DECEMBER 31, 2014 AND A SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD FROM JULY 1, 2014 THROUGH JUNE 30, 2015, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177"

BACKGROUND ANALYSIS:

On February 1, 2012, pursuant to Assembly Bill x1 26 ("AB x1 26") all redevelopment agencies across the State were dissolved and successor agencies were established to wind-down their operations and obligations. Pursuant to Health and Safety Code Section ("H&SC") 34177(m), successor agencies are required to continue to make payments due for enforceable obligations of the former redevelopment agencies. A Recognized Obligation Payment Schedule ("ROPS") must be prepared by the Successor Agency to the West Hollywood Community Development Commission ("Successor Agency") setting forth the minimum payments and due dates of payments required by

AGENDA ITEM V.3.

enforceable obligations for each six-month fiscal period and presented to the Oversight Board of the Successor Agency ("Oversight Board") for approval.

The ROPS for the period from July 1, 2014 through December 31, 2014 ("ROPS No. 6 or ROPS 14-15A") must be approved by the Successor Agency's Oversight Board and transmitted to the County Auditor-Controller ("Auditor-Controller"), State Department of Finance ("DOF"), and State Controller, no later than March 1, 2014. If the Successor Agency and Oversight Board fail to meet the March 1 deadline, the City of West Hollywood may be liable for substantial penalties, including a \$10,000 per day penalty for each day past the deadline.

The Successor Agency was required to submit a copy of the draft ROPS to the County Administrative Officer, Auditor-Controller, and DOF at the same time that it was submitted to the Oversight Board for approval; this requirement was met. The Auditor-Controller is authorized to object to any item on the ROPS or the proposed funding source prior to or after Oversight Board consideration. If the Oversight Board disagrees with the Auditor-Controller, it may refer the matter to DOF for final determination.

Once the ROPS is approved by the Oversight Board, DOF will have 45 days to review and approve the ROPS, or object to any of the enforceable obligations. If the Successor Agency disputes DOF's determination, it can request to meet and confer with DOF within 5 days of their determination. DOF will make the final determination regarding the dispute and must notify the Successor Agency and Auditor-Controller of its determination 15 days before the date of property tax distribution by the Auditor-Controller.

H&SC Section 34177(j) also requires that each successor agency prepare an administrative budget for each six month period and submit that administrative budget to their oversight board for approval. The successor agency administrative budget shall include estimated amounts for successor agency administrative costs, proposed sources of payments, and any proposals for arrangements for administrative services provided by a city, county, or other entity. Pursuant to H&SC Section 34171(b) the administrative cost allowance provided to each successor agency, for each fiscal-year, can be up to 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Fund, for the successor agency, or two hundred and fifty thousand dollars (\$250,000), whichever is greater, unless the Oversight Board reduces the amount.

#### **ROPS 14-15A - (July 1, 2014 through December 31, 2014)**

ROPS 14-15A (Attachment 1) includes debt service payments and fees for the former redevelopment agency's 2011 tax allocation bonds and the Successor Agency's 2013 refunding bonds (refunded the former redevelopment agency's 2003 bonds).

The ROPS for the period January 1, 2013 through June 30, 2013 (ROPS No. 3) was submitted to DOF on August 31, 2012. DOF subsequently objected to six

enforceable obligations on ROPS No. 3. These enforceable obligations included a permanent financing loan in the amount of \$3.5 million for the Courtyard at La Brea affordable housing project, \$27 million in funding for the Plummer Park Master Plan Phase 1 Implementation Project, \$1.8 million in funding for disabled access improvements to West Hollywood Community Housing Corporation buildings, and funding for employee oversight costs for the Janet L. Witkin Center affordable housing project, Courtyard at La Brea affordable housing project, and the Plummer Park Master Plan Phase 1 Implementation Project. All of the enforceable obligations denied by DOF would have been funded with proceeds from the former redevelopment agency's 2011 housing and non-housing bonds. These enforceable obligations were not denied by DOF on ROPS No. 1 and No. 2.

Payments for the six enforceable obligations that were denied by DOF on ROPS No. 3 were not listed on the previous two ROPS (13-14A and 13-14B) and have also not been listed on the current ROPS (14-15A). These enforceable obligations are shown on ROPS 14-15A because DOF requires that previously denied items be shown on the ROPS, however, no payments can be listed. The Successor Agency continues to disagree with DOF's denial of the enforceable obligations. Therefore, the submittal of ROPS 14-15A is made under protest and is not intended, nor has the effect, of waiving the City's and Successor Agency's right to insist that the enforceable obligations denied by DOF are valid and should be included on the ROPS.

#### **Enforceable Obligation Detail**

- 1) 2003 Tax Allocation Bond Debt Service (Non-Housing Principal) – This enforceable obligation was retired on December 24, 2013. On this date, the 2003 bonds were paid off and new 2013 Successor Agency bonds were issued (as part of the LA County Pooled Refunding Program) at a lower interest, to provide debt service savings. This transaction was approved by DOF on November 1, 2013.

Payments Due: None  
Payment Source: n/a

- 2) 2003 Tax Allocation Bond Debt Service (Non-Housing Interest) – This enforceable obligation was retired on December 24, 2013. On this date, the 2003 bonds were paid off and new 2013 Successor Agency bonds were issued (as part of the LA County Pooled Refunding Program) at a lower interest, to provide debt service savings. This transaction was approved by DOF on November 1, 2013.

Payments Due: None  
Payment Source: n/a

- 3) 2003 Tax Allocation Non-Housing Bond Trustee Fees – This enforceable obligation was retired on December 24, 2013, as part of the 2003 bond refunding.

Payments Due: None

Payment Source: n/a

- 4) 2003 Tax Allocation Bond Debt Service (Housing Principal) – This enforceable obligation was retired on December 24, 2013. On this date, the 2003 bonds were paid off and new 2013 Successor Agency bonds were issued (as part of the LA County Pooled Refunding Program) at a lower interest, to provide debt service savings. This transaction was approved by DOF on November 1, 2013.

Payments Due: None

Payment Source: n/a

- 5) 2003 Tax Allocation Bond Debt Service (Housing Interest) – This enforceable obligation was retired on December 24, 2013. On this date, the 2003 bonds were paid off and new 2013 Successor Agency bonds were issued (as part of the LA County Pooled Refunding Program) at a lower interest, to provide debt service savings. This transaction was approved by DOF on November 1, 2013.

Payments Due: None

Payment Source: n/a

- 6) 2003 Tax Allocation Housing Bond Trustee Fees – This enforceable obligation was retired on December 24, 2013, as part of the 2003 bond refunding.

Payments Due: None

Payment Source: n/a

- 7) 2011 Tax Allocation Non-Housing Bonds Series A Debt Service (Principal) – Principal repayment for non-housing bonds; due on September 1 of each year.

Payments Due: \$275,000

Payment Source: Redevelopment Property Tax Trust Fund  
("RPTTF")

- 8) 2011 Tax Allocation Non-Housing Bonds Series A Debt Service (Interest) – Interest payment for non-housing bonds; one half of the interest payment is due on March 1 and September 1 of each year.

Payments Due: \$1,033,944

Payment Source: RPTTF

- 9) 2011 Tax Allocation Non-Housing Bonds Series A Bond Trustee Fees – Bond fee payment for non-housing bonds; due on March 1 of each year.  
Payments Due: None  
Payment Source: RPTTF
- 10) 2011 Tax Allocation Housing Bonds Series B Debt Service (Principal) – Principal repayment for housing bonds; due on September 1 of each year.  
Payments Due: \$50,000  
Payment Source: RPTTF
- 11) 2011 Tax Allocation Housing Bonds Series B Debt Service (Interest) – Interest payment for housing bonds; one half of the interest payment is due on March 1 and September 1 of each year.  
Payments Due: \$411,744  
Payment Source: RPTTF
- 12) 2011 Tax Allocation Housing Bonds Series B Bond Trustee Fees – Bond fee payment for housing bonds; due on March 1 of each year.  
Payments: None  
Payment Source: RPTTF
- 15) ALA – Janet Witkin Center Project (Oversight [Employee] Costs) – This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 14-15A form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items.  
Payments: None  
Payment Source: 2011 Series B Housing Bond proceeds
- 17) La Brea Courtyard Project (Permanent Financing Loan) – This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 14-15A form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items.  
Payments: None  
Payment Source: 2011 Series B Housing Bond proceeds

- 18) La Brea Courtyard Project (Oversight [Employee] Costs) – This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 14-15A form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items.

Payments: None  
Payment Source: 2011 Series B Housing Bond proceeds

- 19) West Hollywood Community Housing Corporation – Disabled Access Improvements and Rehabilitation of Low and Moderate Income Affordable Housing Projects – This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 14-15A form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items.

Payments: None  
Payment Source: 2011 Series B Housing Bond proceeds

- 20) Phase 1 – Plummer Park Master Plan (Construction Costs – Hard and Soft) – This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 14-15A form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items.

Payments: None  
Payment Source: 2011 Series A Non-Housing Bond proceeds

- 21) Phase 1 – Plummer Park Master Plan (Oversight [Employee] Costs) – This obligation was denied by DOF on ROPS 3 (it was approved on ROPS 1 and 2). This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 14-15A form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items.

Payments: None  
Payment Source: 2011 Series A Non-Housing Bond proceeds

- 23) Audit Services Required by AB x1 26, as Amended by AB 1484 – Annual financial audit.

Payments: \$7,867

Payment Source: RPTTF and Other Successor Agency Funds

- 24) Writ of Mandate in Los Angeles Unified School District v. County of Los Angeles – On June 15, 2012, a writ of mandate was issued in Los Angeles Unified School District v. City of Los Angeles, which imposes additional obligations on Los Angeles County and successor agencies within the County regarding pass-through payment calculations. First, the County Auditor-Controller must recalculate pass-through payments for each fiscal year from 2003-04 through January 31, 2012, consistent with the Court's order, and notify each successor agency of the correct amount. Successor agencies must then calculate the amount of statutory pass-through payments due to LAUSD pursuant to the writ of mandate, including 7% interest on the amount due. In June 2013, the Court ruled on the second phase of the case, siding again with LAUSD. The amount owed by the Successor Agency must be listed on subsequent ROPS and the full amount owed must be remitted to LAUSD. It is likely the County Auditor-Controller will be required to calculate the amount owed by the Successor Agency, once the recalculated pass-through payment amounts are received, Successor Agency staff will place that payment amount on a subsequent ROPS once it is received from the County.

Payments: TBD

Payment Source: RPTTF

- 25) Successor Agency Administrative Costs/Budget – Various administrative costs for continued operation of the Successor Agency, for the period July 1, 2014 through June 30, 2015. See Attachment 2.

Payments: \$250,000

Payment Source: Administrative Allowance

- 26) 2013 Tax Allocation Refunding Bonds Debt Service (Principal) – This is a new enforceable obligation for the 14-15A period. As previously mentioned, on December 24, 2013, the Successor Agency refunded its 2003 Tax Allocation Bonds, to take advantage of historically low interest rates. The 2003 bonds were paid off and new 2013 Successor Agency Refunding Bonds were issued (as part of the LA County Pooled Refunding Program) at a lower interest, to provide debt service savings. This transaction was approved by DOF on November 1, 2013. The principal payment is due on September 1 of each year.

Payments Due: \$425,000

Payment Source: RPTTF

- 27) 2013 Tax Allocation Refunding Bonds Debt Service (Interest) – This is a new enforceable obligation for the 14-15A period. As previously mentioned, on December 24, 2013, the Successor Agency refunded its 2003 Tax Allocation Bonds, to take advantage of historically low interest rates. The 2003 bonds were paid off and new 2013 Successor Agency Refunding Bonds were issued (as part of the LA County Pooled Refunding Program) at a lower interest, to provide debt service savings. This transaction was approved by DOF on November 1, 2013. One half of the total interest payment for the year is due on March 1 and September 1 of each year.

Payments Due: \$152,411  
Payment Source: RPTTF

- 28) 2013 Tax Allocation Refunding Bonds Trustee Fees – Trustee fees for the new 2013 Successor Agency Refunding Bonds; due in December of each year.

Payments Due: \$2,000  
Payment Source: RPTTF

**Administrative Budget No. 6 – (July 1, 2014 through June 30, 2015)**

The Successor Agency has prepared a proposed Administrative Budget for the period from July 1, 2014 through June 30, 2015 (“Administrative Budget No. 6”), which is included as Attachment 2. Administrative Budget No. 6 includes estimates of administrative costs and sources of payment, as required by AB x1 26. Administrative Budget No. 6 is based on a \$250,000 cost allowance for the entire fiscal year (2014-15). Staff determined that the “3 percent” calculation, as detailed previously, would yield an administrative cost allowance of approximately \$120,000 for the entire 2014-15 fiscal year, substantially less than the fixed amount of \$250,000. This amount is not adequate to wind-down the activities of the Successor Agency; therefore, staff is recommending the \$250,000 administrative budget allowance that is allowed by law.

For Administrative Budget No. 6, the Successor Agency estimates administrative costs in the amount of \$250,000. The budget includes Successor Agency staffing costs, overhead costs, as well as other contract and legal services. Administrative Budget No. 6 costs will be paid for with the Successor Agency \$250,000 administrative cost allowance for the fiscal year 2014-15. Upon Oversight Board approval of Administrative Budget No. 6 the Successor Agency will request \$250,000 in administrative cost allowance funds from the Auditor-Controller. The requested amount of \$250,000 is also listed on ROPS 14-15A.

The Successor Agency is requesting the full \$250,000 administrative allowance for fiscal-year 2014-15 on ROPS 14-15A. The Successor Agency will not request any administrative allowance funding on ROPS 14-15B. As part of the refunding process for the 2003 Bonds, the Successor Agency was notified that



they would be required to request the full debt service amount (for each calendar year), for all of their bonds, on the first ROPS of each calendar year (the "B" period). With this in mind, the Successor Agency will need to request RPTTF funds to cover the full amount of debt service for the 2015 calendar year on ROPS 14-15B. This request would not leave enough RPTTF funding to cover the Successor Agency's \$125,000 administrative allowance for that period. With that in mind, the Successor Agency is requesting the full \$250,000 administrative allowance for the fiscal-year 2014-15 in the ROPS 14-15A period, since RPTTF funds are available for the period. It is the Successor Agency's understanding that the County of Los Angeles had various conversations with DOF regarding this, and that DOF was accepting of the request.

At previous meetings, the Oversight Board has requested that staff provide additional detail for each Administrative Budget. Additional detail is attached to Administrative Budget No. 6, including the employees and their salary percentages that are included in the Budget.

**FISCAL IMPACT:**

The enforceable obligations shown on ROPS 14-15A have a combined six-month funding need of \$2,607,966. The funds to pay for these enforceable obligations will come from several sources, however, the vast majority of the funds will be RPTTF monies (provided by the Auditor-Controller). The funding sources are detailed in the following table:

<b>Funding Source</b>	<b>Funding Amount</b>
Other Successor Agency Funds – Cash Balance	\$4,072
New RPTTF Request for 14-15A ROPS Period	\$2,353,672
Administrative Allowance (fiscal-year 2014-15)	\$250,000
Prior Period RPTTF Not Spent	\$222
<b>Total</b>	<b>\$2,607,966</b>

The Successor Agency is required to reduce its requested RPTTF amount to account for the unspent residual from specific prior ROPS periods. For this ROPS the Successor Agency is required to reduce its RPTTF request by any unspent RPTTF monies from the ROPS No. 4 period, during that period the Successor Agency had unspent RPTTF monies in the amount of \$222. For this reason, the Successor's Agency RPTTF request for the ROPS 14-15A period of \$2,603,894 (inclusive of administrative allowance) will be reduced by \$222, to an adjusted request of \$2,603,672 – see ROPS 14-15A, page 1 "Summary".

As part of the ROPS process the Successor Agency is also required to provide an accounting of its current cash balances (Page 4 of ROPS 14-15A). As shown on page 4 of the ROPS, the Successor Agency's cash balances are mostly comprised of 2011 bond proceeds and RPTTF monies. At this time, the Successor Agency is not permitted to use the 2011 bond proceeds and the

RPTTF monies are designated for enforceable obligations during specific periods. However, the Successor Agency does have a cash balance of \$4,072 that can be used to pay enforceable obligations and off-set the same amount of RPTTF. As is shown on the Summary Page (Page 1) and the ROPS Detail Page (Page 3) the Successor Agency will use these funds to pay for a portion of the enforceable obligations due during the ROPS 14-15A period.

ATTACHMENTS:

- Attachment 1: Recognized Obligation Payment Schedule for the period from July 1, 2014 through December 31, 2014.
- Attachment 2: Successor Agency Administrative Budget for the period from July 1, 2014 through June 30, 2015.
- Attachment 3: Resolution